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November 5, 2001

PUBLIC DOCUMENT

VIA E-MAIL

Gloria Blue, Executive Secretary
Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Re: Certain Steel Products: Proposal on Adjustment Action

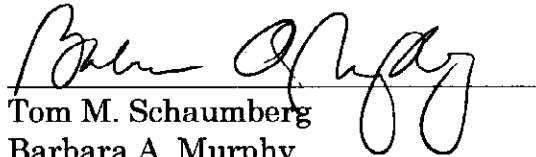
Dear Ms. Blue:

Pursuant to the Notice Of Request For Comments On What Action The President Should Take Under Section 203 Of The Trade Act Of 1974, As Amended, (19 U.S.C. 2253) To Facilitate Efforts By The Domestic Industries Producing Certain Steel Products To Make A Positive Adjustment To Import Competition And Provide Greater Economic And Social Benefits Than Costs, 66 Fed. Reg. 54321 (October 26, 2001), we hereby submit our written proposal on adjustment action on

Gloria Blue, Executive Secretary
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behalf of the Association of Cold Rolled Strip Steel Producers. Because this brief contains no Business Proprietary Information, only a public version of the brief will be filed

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tom M. Schaumberg", is written over a horizontal line.

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Counsel for Association of
Cold Rolled Strip Steel Producers

ST701601

PROPOSAL ON ADJUSTMENT ACTION OF THE ASSOCIATION OF COLD ROLLED STRIP STEEL PRODUCERS

Pursuant to the Notice Of Request For Comments On What Action The President Should Take Under Section 203 Of The Trade Act Of 1974, As Amended, (19 U.S.C. 2253) To Facilitate Efforts By The Domestic Industries Producing Certain Steel Products To Make A Positive Adjustment To Import Competition And Provide Greater Economic And Social Benefits Than Costs, 66 Fed. Reg. 54321 (October 26, 2001), this proposal on adjustment action is submitted by and on behalf of the Association of Cold Rolled Strip Steel Producers ("the Association").¹ As set forth below, this proposal (a) assesses current problems affecting the Association members' ability to compete with imports; (b) indicates the types of actions that members of the Association will undertake during a period of import relief to improve the ability of the Association to compete after relief terminates or to facilitate adjustment to increased import competition; (c) recommends the type of action that the Federal Government should take to assist the Association members' efforts either to enhance their competitiveness or to adjust to import competition; and (d) explains how import relief will assist the Association members' efforts either to enhance their competitiveness or to adjust to import competition.

¹ The Association is comprised of 14 members: Blair Strip Steel Company, Cold Metal Products, Inc., Duferco Farrell Corporation, Gibraltar Group of Companies, Greer Steel Company, Precision Specialty Metals, Rome Strip Steel Company, Samuel-Whittar, Inc., Steel Technologies Inc., Theis Precision Steel Corp., Thomas Steel Strip Corp., Thompson Steel Company, Inc., Worthington Steel, and Zapp U.S.A.

**I. ASSESSMENT OF CURRENT PROBLEMS
AFFECTING THE ABILITY OF MEMBERS OF THE
ASSOCIATION TO COMPETE WITH IMPORTS**

Increased imports are the source of the members of the Association's problems, as increased imports have put members of the Association in dire straits. What is happening is quite clear: imports of cold-rolled strip and sheet are coming into the United States at very low prices. In order to compete with the imported cold-rolled strip and sheet, the members of the Association have been forced to lower their prices. Transaction prices are now at twenty-year lows. By reducing their prices, the members of the Association have experienced huge financial losses and have been forced to shut down domestic facilities and, in some cases, cease operations. As a result, there is significant idling of productive facilities, and significant unemployment, in the cold-rolled strip and sheet industry.

The financial losses have been so great that some members of the Association have been forced into bankruptcy. For example, in July 2001, Precision Specialty Metals was forced into bankruptcy. The Steel Company was forced to liquidate this year. In addition, other cold-rolled manufacturers and processors have filed for bankruptcy, namely, LTV Corp., Wheeling-Pittsburgh Steel Corp., Gulf State Steel, Acme Metals, Inc., and Heartland Steel.

II. THE TYPES OF ACTIONS THAT MEMBERS OF THE ASSOCIATION AND THEIR WORKERS WILL UNDERTAKE DURING A PERIOD OF IMPORT RELIEF TO IMPROVE THEIR ABILITY TO COMPETE AFTER RELIEF TERMINATES OR TO FACILITATE ADJUSTMENT TO INCREASED IMPORT COMPETITION

Import relief will result in a more stable and predictable market environment. During a period of import relief, members of the Association will be more willing to take risks and, accordingly, will undertake one or more of the following types of actions to improve their ability to compete after relief terminates or to facilitate adjustment to increased import competition:

- Make new investment, particularly, in slitting, rolling, and annealing equipment;
- Modernize existing plant and equipment;
- Make new capital expenditures in equipment and facilities (such as in new temper mills);
- Eliminate use of inefficient equipment and facilities (such as in old temper mills);
- Make environmental, safety, quality, and productivity improvements;
- Make technology enhancement purchases;
- Develop improved inventory management techniques;
- Pay down existing debt;
- Expand existing plants;
- Acquire allied businesses;
- Increase overall production capability/capacity where appropriate;

- Increase sales volume;
- Develop new products;
- Increase the size of workforce where appropriate: and
- Increase wages.

Taking the above actions will result in members of the Association becoming more competitive and efficient so that they will be able to compete after relief from imports terminates.

III. RECOMMENDED TYPE OF ACTION THAT THE FEDERAL GOVERNMENT SHOULD TAKE TO ASSIST THE ASSOCIATION'S EFFORTS EITHER TO ENHANCE ITS MEMBERS' COMPETITIVENESS OR TO ADJUST TO IMPORT COMPETITION

The Association recommends that the Federal government levy tariffs of 40% on all cold-rolled imports to assist the Association's efforts either to enhance the competitiveness of its members or to adjust to import competition.

IV. EXPLANATION HOW IMPORT RELIEF WILL ASSIST MEMBERS OF THE ASSOCIATION'S EFFORTS EITHER TO ENHANCE THEIR COMPETITIVENESS OR TO ADJUST TO IMPORT COMPETITION

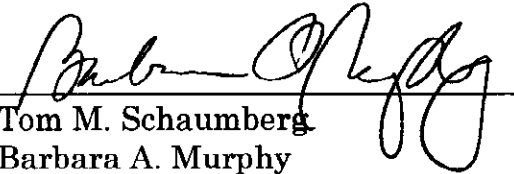
Import relief – specifically, the imposition of tariffs of 40% on all cold-rolled imports – will assist the members of the Association's efforts either to enhance their competitiveness or to adjust to import competition. This is because tariffs of 40% will reduce the supply of cold-rolled imports so that prices of cold-rolled strip and sheet will rise, thereby increasing the profitability of the members of the Association. With more revenue coming in, members of the Association will be in

position to undertake the aforementioned actions, which will, in turn, increase their competitiveness.

V. CONCLUSION

Increased imports have devastated members of the Association. If afforded relief from imports, members of the Association will undertake a number of actions to become more competitive and efficient, so that they will be able to compete with imports after relief terminates. In terms of the type of relief, the Association recommends that the Federal government levy tariffs of 40% on all cold-rolled imports. Such a tariff will reduce the supply, and increase the prices, of cold-rolled strip and sheet. By being able to increase their prices, the members of the Association will be able to increase their profitability, and thus, be able to undertake actions, which will, in turn, increase their competitiveness.

Respectfully submitted,



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Dated: November 5, 2001
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